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A. P. RICHARDSON, *Editor*

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EDITORIAL

Enjoying Bad Health

Nowadays, when everybody above the age of three years or less is setting up himself or herself as an economist, the air is filled with predictions and many tons of news print are blackened with prognostications, all intended to inform the world when depression will end and what will be the cause of its ending. A thousand remedies for the evils that afflict us are proposed daily, and even the most credulous are becoming indifferent to the words of wisdom which are so copiously outpoured. Some one of these nostrums, however, may effect the cure, and it certainly does no harm to indulge in an academic consideration of the probabilities. We all know the facts, although some of us exaggerate their importance. The truth of the matter seems to be that the world is settling down after its period of mourning and is beginning to take heart of grace. We have, no doubt, passed the worst and are convalescent, although a good many people have become hypochondriac. Like the old lady of the familiar story we are beginning to enjoy bad health. It is quite probable that there will be a good deal of suffering during the coming winter, but it will not be as great nor so wide spread as some of our most valetudinarian economists would have us believe; and one of the ways to prevent unnecessary emphasis upon sorrow is to stop talking about it. In the old days it used to be the custom to go to a funeral wearing mourning and stretching the countenance to the utmost length of facial ability. We used to sigh and sorrow and close the piano and pull down the shades and make ourselves

utterly miserable so as to impress the rest of the world with the sincerity of our grief; but lately there has been a change in custom and in the wiser circles of mankind funerals no longer call for black garbs and the corners of the mouth drawn down. We try to find the light which shines, even in the darkness, and to make the most of that light. Now if we would carry that policy into our consideration of the death of the late and much lamented prosperity, it would be an excellent thing for all of us.

**We Advertise
Adversity**

At present when Jones meets Smith at the street corner he says, "It is going to be a gloomy and hard winter and I don't know how we are going to get through it." And Smith replies, "Oh, yes, it will be a season of suffering." Now if Jones were to say to Smith, "I think I can see an improvement in my business. How is it with you?" Smith might reply, "Well, I think you are right. There is a little more activity than there was." And then both Smith and Jones would go their respective ways feeling better in themselves and carrying to the Robinsons and the Browns and all the other citizens of the community a spirit of hopefulness and confidence. None of us knows how far travels the influence of a casual word, and now, when there is plenty of darkness about, we should be more careful than ever in the words we speak and write. This sounds something like a sermon but it seems to be a much needed word of advice for everyone. We are really so incalculably rich that we ought to be utterly ashamed of ourselves for bewailing the depression. America has gone through a great many periods like the present, and it has always come out on the right side; and it does seem rather ridiculous to be so downcast at the inevitable repetition. The trouble with most of us is that we are either on top of the world or the world is resting on our shoulders. A well known physician said not long ago that many of his patients knew no half measures—if their stock of health was not above par it was not worth a tinker's damn. We are like that as a nation. We are rolling in prosperity or groveling in the depths of woe, and we change nimbly from one position to the other.

**The French
Precedent**

It might do the American people good to consider the attitude of the people of France. Only three or four years ago everyone was saying that France was bled white—that it could

never recover its financial prestige. It was decadent, doomed to disaster. But France stuck to its work and the French people stuck to their knitting and today France is one of the two greatest financial powers in all the world. There is no trick about it. What France has done every nation can do to some extent. Now people are saying that what has happened to the English pound indicates the final collapse of the British empire; but it does nothing of the sort. The departure from the gold standard in Great Britain was unavoidable. It was a very fine thing for the English authorities to try to meet the issue without loss of pride or primacy, but the fact was that there was not enough gold to meet the monetary demand and business was so bad that there was not value immediately available to take the place of gold. And so, very wisely, the government, supported by parliament, abandoned its undertaking to pay so many gold ounces for a standard amount in bank notes. That does not mean that we may erase the British red from the map of the world. The British have a way of muddling through. They will not recover as fast as France has done, but they will recover, and before long we shall all be wondering what in the world we were thinking about when we began to grieve over the untimely death of a great empire.

Problem of Fluctuating Exchange There is one aspect of the departure from the gold standard in Great Britain and elsewhere which has not been the subject of much consideration in the press, but it is of vital interest to every accountant who is engaged in the practice of his profession. When the French franc, after a series of gymnastic exercises, finally settled down to the value of \$3.93 a hundred, and when the Italian lira reached a point of stability and the German reichmark was fixed on a gold basis, it did really seem as though the calculation of foreign exchange had been vastly simplified. During the war and the years which succeeded the war the computation of accounts in international trade was one of the most vexing problems before the accountant. European exchange became only slightly less difficult than the Chinese. With the restoration of gold parity the violent fluctuations of the past ceased, and it was possible to feel fairly confident that the franc today would have the same value tomorrow and the English sovereign would be worth exactly the same today and next week. Now all that is gone. Already we have seen the English pound

sterling drop from \$4.87 to \$3.50 and swing violently up and down within that range. The interchange of money and values between all European nations and America is affected. Any European nation except England could have abandoned the gold standard without causing half the difficulty which is now caused. The world for many years has regarded London as the financial Greenwich from which all degrees of monetary longitude are computed. The scene of things has shifted and Wall street today takes the place of Lombard street, but the world has not learned the truth, and nearly everyone still looks to London for a measure of value. Consequently, when the pound is no longer what it was and no one knows what it may be in the near future, the entire financial fabric is shaken. It will be a rather slow process to substitute the gold dollar for the gold sovereign in international exchange. Actually it is done, but the fact is not yet recognized everywhere. But even if the action of the British parliament were not disconcerting outside the British Isles the question of foreign exchange would be complicated nevertheless. Lombard street and Wall street are so closely allied that they might almost be in the same country, and when Lombard street is sick it interferes with the peace of the whole family. Probably after a month or two, it will be possible to form a fairly accurate idea of the value of the English pound. It will settle to its point of stability at perhaps slightly over \$4.00, and when that is done it will probably be placed upon a gold standard closely related to the actual value. This will mean great loss to people whose property is represented by the English pound, but all the European belligerent nations have had to face that sort of thing and those who have met it squarely have emerged or are emerging from their troubles. England will be no exception and her loss will not be so great per capita as was the loss in her neighboring nations. But before the time of settling down at a true level the old problems of foreign exchange and the keeping of accounts in foreign currency will resume its importance and tax the ingenuity and knowledge of every accountant.

**Financial Advice
Wanted**

Accountants in their modern capacity as financial advisors are being brought face to face with the problem of market probabilities. Clients whose finances have survived in part the debacle are now concerned to know whether to sell their depreci-

ated securities or not, and they will probably depend largely upon the advice of the accountant in many cases. Let it be supposed that a corporation has in its portfolio a block of Australian bonds, a few German bonds, some preferred stock of a company which has passed its dividends, some important holdings in railways and the usual heterogeneous assortment of investments which the ordinary corporation accumulates in the course of years of operation. All these securities have declined sharply and some of them are so low in price that they look like bargains to a buyer. What counsel is any advisor going to give as to the wisdom or unwisdom of selling any one or any group of securities with the market where it is? Probably the wise accountant will refuse to give advice, but it is not always possible to escape the responsibility which the advisory capacity involves, and consequently it may be assumed that the accountant will have to give his opinion. He will probably be wrong, because four-fifths of the opinions which are expressed today are worse than valueless. Nobody knows what is about to happen. In addition to the problem of sale of securities, there is, of course, the corollary, the problem of purchase of other securities. If the accountant has advised that it would be well to sell the German bonds in our supposititious case, how is the money to be employed? What is to be bought? And here we come upon broad international ground. America is today, and perhaps for the next hundred years will be, the financial leader of the world. England has tacitly stepped down from preëminence and it seems to be fairly well understood that she does not desire to return to her former position. France is immensely wealthy but she will not assume the leadership for various reasons; and America, whether she will or no, must lead. Consequently it becomes of importance to every American concerned even remotely with finance to give consideration to the distribution of investment.

**Our International
Responsibility**

If America is to remain a creditor nation, as she must, it will be necessary for vast sums of American money to go into foreign countries and return in the form of payment for American products—at least some part of it will so return. Is it, then, the part of wisdom for American capitalists, both personal and corporate, to divert from American industries and other forms of American investment a portion of the wealth which they have in

their possession? Speaking broadly and internationally it will be an excellent thing if America can come to the aid of a bankrupt world. It would be a thousand pities if a policy of small parish-pump ideas were to prevail. There is, of course, a section of the press which howls loudly whenever a dollar leaves the American shore. There will always be these jingoes whose protests are made solely in the hope of enlisting the support of the unthinking. Perhaps they serve a useful purpose as a counterbalance to the extremists of the other side; but in a general way it is safe to say that America should not shut up her purse when the rest of the world is suppliant. That, however, is not to say that American money must be squandered to support spendthrift recklessness abroad. Every investor should consider these things and reach his own conclusion as to the most fruitful and helpful disposition of his funds. The risk of many foreign investments at the present time is out of proportion to the benefits expected. While the continent of Europe is in great part tottering on the edge of collapse there is nothing entrancing in the investment of funds in the securities of the weak nations or the ventures of their nationals. High interest rates are offset by higher jeopardy. In time to come it is certain that as stability returns there will be attractive demand for American money in foreign markets, and it may be expected that there will be sufficient money available to render invaluable assistance to the rehabilitation of the world's finance. But every problem has its present as well as its future aspect. The question which now arises and demands answer is, What is to be done with present funds available for investment?

The Emaciated Market

The recent course of the stock market has indicated something approaching panic fear. A great volume of selling has come from foreign investors and the market seems to have had no resisting power whatever. Everybody who has sold stock or bonds during recent weeks has been influenced to some extent by this general terror. Thousands of excuses have been offered for the selling, but back of them all stands the spectre of doubt. People are so distressed by the rapid decline of security values that they are losing their ability to reason calmly, and as a consequence the value of many securities has dropped to a point far below anything which has been recorded in the past twenty years. What is to be done to take advantage of this distressing situation and

how is each one to help toward the recovery of sanity? It will certainly not help to sell what one has and put the money away in a bank. The present full-fed condition of the savings banks in America is an indication of a lack of confidence which is universal. People are leaving their money in what they consider the safest depository and are awaiting some signal which will indicate that at last the bear market is over. There is no such signal and there never has been one which people could recognize. On any day we may reach the bottom of the market; at any time there may be a recovery of substantial proportions; at any time the market may drop further. Two or three years from now one of the commonest topics of conversation of mart and club will be the wonderful opportunities for investment which occurred in 1931. Men will remember the prices of Steel common or Union Pacific or General Electric or a score of other companies' securities and will compare them with the price of that subsequent day, and they will say, as they have always said at similar periods in the past, "We knew that there was offer of profitable investment and we knew that America would come back, and yet we did not take advantage as we should have done of these unequaled chances." There will be thousands of men and women saying just that sort of thing.

When to Buy

It is related of a famous leader of finance that he attributed his success to the fact that he always bought too high and sold too low, by which, of course, he meant that he did not attempt to buy at the very bottom or to sell at the very top but was content to make a fair profit. Now, nobody knows whether the prices of securities today are at the low point or not, but it does seem safe to say that if we have any confidence whatever in the ability of America to weather the storm the time to invest is here. There are many stocks which are of no value whatever and the investor must be selective, but on the other hand there are stocks in companies long established, dealing in articles which meet a common demand, well managed and even in these times earning a fair margin of profit, and these stocks are selling at prices which seem to have no relation whatever to intrinsic value. If one invests today in one of these select stocks (and of course we are not speaking of margin trading, which is always dangerous and should be forbidden) and the market goes lower, as it quite well may, there will be no cause for consternation, because ultimately every article of barter

or sale finds its true level and the securities which today are too low will come back to the point where they belong. Furthermore, if these securities have no value it means that the country is going to the devil and money in banks will not be safe. Why, then, is it not well to invest in what seem to be sound earning stocks in well founded companies producing necessities of life? If there could be generated a feeling of assurance that stocks are really below their proper levels, it would not be a long step to a resumption of buying, and the moment that resumption assumes substantial proportions there will be a return of confidence, and from confidence we shall go on to a return of activity and thence to renewed prosperity. People are saying that there is no reason why the market or business should improve, but the history of depressions indicates that resumption takes place often without any heralding. Business is probably improving slowly, although people are reluctant to admit that fact. The stock market seems to have reached a condition of absolute debility. There is no more fight left in it. When that state is reached it is generally a signal that there is no further danger of falling—the fall is complete. Then follows a period of contemplation, when people begin to think about the inherent worth of securities rather than their market prices. We believe that the financial market today is in that last stage of decline. If that be true, now is the time to take advantage of the market prices to buy and put away the securities of chosen companies, whose standing is of the highest, and to do everything possible to stimulate the return of normal conditions in business, industries and finance. Those calamity howlers who are foretelling the downfall of American institutions are merely the children of the howlers of 1907 and of all other doleful years. People who can remember other depressions will recall exactly the same sort of foreboding, but it all came to nought and America survived and went on to greater heights than ever before. And that is what she will do now. Whether the ascent begin now, next week or next year, it will begin, and those who are wise today will give proof of their confidence by taking advantage of an opportunity which will not return probably for another score of years or longer.

Aërial Transgression If the inhabitants of Mars have radio receiving sets sufficiently sensitive to pick up some of the programmes now broadcast on Earth we can imagine that the Martians assembled in town meeting, or what-

ever kind of convention is customary on that planet, must be passing resolutions of sympathy for the benighted and mendacious people of Earth. They must be saying to themselves, those dwellers in Mars, that Earth is an inferior orb in every way and its inhabitants are liars above all other sentient beings. Perhaps some ancient man of Mars takes the platform and turning on his loud speaker invites his auditors to listen to the lying of Earth. He could do that at almost any hour of the day and not disappoint his hearers. Speaking in the common parlance of Mars he would say to the audience, "Let us now hear the comparative merits of shovels." And jumping from station to station in the earthly waves he could find a dozen different brands each indisputably superior to the other eleven. Perhaps he would prefer to deal with the subject of shoes or securities or paint or breakfast foods or any one of a score of other commodities, and in each one he could reveal to his people the peculiarly fecund falsity of Earth. It does seem sad that, in these few years during which we have enjoyed the benefits of wireless transmission of sound, so much of this priceless gift should have been diverted to base uses. Everybody knows that the statements made on a great many programmes are utterly untrue, but, like the weather, no one seems to do anything about it. A good many of us have firmly resolved in our own minds never to buy any one of the articles which are so vehemently advertised in a misleading way. Naturally enough the companies which are paying for the use of the air expect to bring to the attention of the public the articles which they have for sale, but it is quite possible to describe a product truthfully or even to extol its positive merits without endeavoring to defame competitive products. Advertising over the air is far less ethical than the printed word. In newspaper and similar advertising there has been a great reform and the old days of conscienceless lying are giving place to a reaching out for truth; but on the air there seems to be in many places no attempt to do anything except further the sale of the particular article which is produced by the advertiser. The matter is overdone and the effort is probably defeating its own purpose, but it is distressingly common to listen to the imaginings of Ananias and Sapphira.

Effect of Exaggeration The advertising which is broadcast in Europe, with a few exceptions, is less offensive than the American brand. Lying is not unknown, but

it is not the custom. If matters go on as they are going at present it will be necessary to have some organization or association to combat many of the contemptible practices of radio advertisers. If it were practicable to have a federal department of radio broadcasting, it would provide entertainment and education for the people, and if all other broadcasting were forbidden the result might be satisfactory—but, of course, that is only a dream and can not be realized. Therefore, we shall have advertising and the next best thing to do is to prevent its misuse. Public sentiment will have its effect and it seems to us that the advertisers, themselves, must begin to see the folly of some of their work. There are many excellent bits of advertising being sent over the air and they should be an example to the unworthy. It should be possible to say to the radio audience, "This programme is sent you by the A B C Corporation, builders of fast flying aëroplanes," and then permit the music or the speaking or the other entertainment to proceed without further reference to the corporation. There would be no derogation of competitors and there would be no annoying repetition of silly claims to superiority. The public would say to itself, "Why, here is a new thing—a company which sends us good entertainment and does not say that it is the greatest company in the world." And as a result of that, in the minds of the public the prestige and goodwill of the A B C Corporation would be enormously enhanced. To put the matter in another way it might be said that the conservative statement of an advertiser always in the long run is more effective than flamboyant untruth.